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# Cooperatives and the Future ...

a comprehensive look at the enlarging  
opportunities and sharper challenges  
confronting America's Cooperatives

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*Digest of the Proceedings of the National Conference on Cooperatives  
and the Future — Shoreham Hotel, Washington, D. C., April 28-30, 1963*

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DEPARTMENT OF AGRICULTURE  
OFFICE OF THE SECRETARY  
WASHINGTON

I look forward hopefully to a conference of cooperative leaders such as that recommended by the USDA Cooperative Advisory Committee in its meeting on January 4, 1963, and I am therefore asking you, along with each of the other five members of that Committee, to sponsor and arrange for such a conference.

Farmer cooperatives have played a significant role in the advance of American agriculture. But I believe that cooperatives may have still greater potential for improving farm and rural economies than they have yet developed, and that a conference dedicated to a serious exploration of the contributions they might make in the years ahead would be most constructive. Such discussion could include opportunities for members to help themselves on a "do-it-yourself" basis as well as opportunities to improve conditions in partnership with government.

Among subjects for consideration are such questions as the following. How can cooperatives participate most effectively in the Rural Area Development Program? Is adequate equity financing for cooperatives available or attainable under present conditions, or should consideration be given to new legislation to make this possible? In the light of rapidly changing conditions, technologies and operating methods, what can and should be done to strengthen the bargaining power and market position of farmers and thus retain as much of the decision making function as possible in the hands of the producers themselves? Can cooperatives help to narrow the gap between producer and consumer, thus improving economic conditions for farmers as well as the general public.

These questions are presented to you as suggestions for your consideration and are not meant to be restrictive. Some thought might also be given, for example, to whether any of the resources of the USDA can be of assistance to cooperatives in meeting the challenging opportunities they have today to develop throughout the emerging nations of the world under the U.S. assistance program.

I hope that you and the other five cooperative leaders who have been serving with you on the USDA Cooperative Advisory Committee will both sponsor and plan this conference. You will have the full cooperation of the Department of Agriculture. I would hope that such a meeting could result in constructive thinking, productive ideas, and -- hopefully -- inspiration for action.

Sincerely yours,

A handwritten signature in cursive script, likely of Daniel Patrick Moynihan, written in dark ink.





## THE PEOPLE'S BUSINESS COMES OF AGE

On April 28-30, 1963, in Washington, D.C. the people's business in the USA came of age.

It was high time it did so.

For there appears on the horizon no practical solution for the continuing dilemma of American agriculture except an essentially cooperative solution. And no other answer, short of the most extreme governmental controls, for the mounting problem of monopoly in the markets of the nation.

Five hundred leaders of U.S. cooperatives gathered in Washington those April days for a conference on "Cooperatives and the Future." They were called together at the suggestion of the Secretary of Agriculture by the Cooperative Advisory Committee to the USDA. This committee consists of the executive officers of the six nationwide cooperative organizations: the National Rural Electric Cooperative Association, American Institute of Cooperation, National Council of Farmer Cooperatives, National Federation of Grain Cooperatives, National Milk Producers Federation, and the Cooperative League of the USA. Naturally, most of the delegates were from farmer or at least rural cooperatives. But there was significant representation from consumer and other kinds of cooperatives as well.

The conference was received and addressed by the President of the United States. The Secretary of Agriculture launched it with a one-hour address on the problems faced by American agriculture and how cooperatives can provide the key to their solution, particularly if farmer and consumer cooperatives work together to that end.

Senator George Aiken (R.-Vt.) and Senator Hubert Humphrey (D.-Minn.) were the banquet speakers.\*

Cooperatives, they both said, are not only the hope of American agriculture but one of the best expressions of the basic spirit of American freedom, self-dependence, and true enterprise.

But most important were the deliberations and decisions of the 500 delegates in their workshop sessions. There were six of these. Here are some of the matters on which the delegates agreed:

- that cooperatives should take leadership in area redevelopment programs;

- that the market position of the farmer is the key to his economic welfare and the cooperatives can and must strengthen that position by merger, or acquisition, of needed facilities, and by integration and extension of services until farmers are dealing directly with consumer markets and a true yardstick of the "price spread" and of marketing costs has been established;

- that the land grant colleges, the Agricultural Extension Service, and other agencies are now doing only a small part of the educational job which the law calls on them to do in the field of cooperatives; that clear statements of policy in support of cooperation should be forthcoming from the USDA; and that such policy should be made known to and followed by all employees of the Department, high and low;

- that far more research into the effective role of cooperatives in the solution of the future problems of American agriculture is needed, and that the Farmer Cooperative Service should be geared up to take leadership in this research;

- that full support should be given to the International Cooperative Training Center at the University of Wisconsin and to efforts and programs to assist the people of newly developing countries in building cooperative institutions to meet their needs; and

- that--perhaps most important of all--the time has come for all cooperatives to stand, work, speak, and build their strength together; that what harms one kind of cooperative harms all kinds, and what builds one kind will, in the end, help to build them all.

For the principle of cooperation is indivisible. And the practice of cooperation is, as it has always been, the primary need of civilized, free people.

\* Both Senator Aiken's and Senator Humphrey's speeches were reproduced in the Congressional Record, May 28, 1963, on pages A3405 and A3433, respectively.



SENATOR HUBERT HUMPHREY  
*of Minnesota*



SENATOR GEORGE AIKEN  
*of Vermont*

Digest of Proceedings

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The National Conference on COOPERATIVES and the Future, *Washington*

April 28-30, 1963 //

Sponsored by  
the Advisory Committee on Cooperatives to the  
United States Department of Agriculture

Members

J. K. STERN  
*American Institute of Cooperation*

KENNETH D. NADEN  
*National Council of Farmer  
Cooperatives*

ROY F. HENDRICKSON  
*National Federation of Grain  
Cooperatives*

E. M. NORTON  
*National Milk Producers  
Federation*

CLYDE T. ELLIS  
*National Rural Electric  
Cooperative Association*

JERRY VOORHIS  
*Cooperative League of the USA*



*Members of the Advisory Committee on Cooperatives confer with Secretary Freeman and the President*





## TODAY'S CHALLENGE TO COOPERATIVES

ORVILLE L. FREEMAN  
*Secretary of Agriculture*

I welcome this conference on Cooperatives and the Future most sincerely and enthusiastically, not only because I know and have worked with many of you and because we share many of the same goals, but more particularly because I have such high hopes for the kind of progress that can result from your deliberations.

These hopes are based on three things.

First, there is the wide scope and broad interest represented here, by leaders of voluntary organizations of people joined together in an effort to help themselves.

Second, there is great promise in the kind of partnership with government that this Conference represents.

Third, there is great hope, great challenge, and a stirring opportunity for cooperatives embodied in the theme of this Conference--Cooperatives and the Future.

I should like to review with you the significance of each of these three factors.

I.

I am really impressed with both the geographical and functional scope of the organizations represented here. You come from 46 states and Puerto Rico. You belong to cooperatives that are concerned with the marketing and processing of a great variety of farm commodities, with the purchase of supplies for both farm and home, with the provision of services ranging from credit and electricity to research and education.

You represent areas that are geographically thousands of miles apart, people who live under a great variety of circumstances. You represent diverse interests. Many of you have differing opinions on both politics and economics. And yet you are meeting here

together because you do have important interests in common, and because you recognize the fact of interdependence that is of such increasing importance in today's world.

You are aware of the extent to which policies and decisions in a democratic society are conditioned and influenced by conflicting pressures. And, as each one of you has sought to represent the best interests of your own members, you have had to face the realization that the strength of the pressures that influence our course of action can not always -- or even often -- be measured by the numbers of people whose interests are involved.

Often you find that wealth or position exert a greater force than numbers of people. And most of you have found that the voice of the farmer is progressively weakening -- not only because his numbers are decreasing but also because he often speaks with many different, hesitant, and diverse voices, rather than with one sharp, clear voice.

And because you know that in union there is strength, you have come here to explore those important interests that you have in common. You have come to consider what you can do together to exercise that great, underlying principle that is basic to the organization and operation of all cooperatives, what you can do for yourselves, through your organizations and in cooperation with other cooperatives, to build for greater strength and effectiveness.

Joint action -- a willingness, yes, an eagerness to work together toward common goals -- is always in itself a reason for hope. But it becomes even more encouraging when the cooperative effort encompasses functions as diverse as those represented here.



Most of you speak for cooperatives whose roots are strongly embedded in agriculture. But organizations of consumers, too, are represented here. I regard this as an important and promising development, because it suggests a joint approach to some of our problems that could have real merit. Rural electric cooperatives, for example, were at first concerned almost exclusively with serving farmers. But now that they have in a few short years succeeded almost completely in transporting all of our farmers out of the age of kerosene and candles and into an age of electric light and power, they face suburban encroachment into their territory. They face a dwindling number of farmer consumers of electricity. Non-farm members of REA co-ops also benefit from their cooperative membership, and, as far as that membership is concerned, have the same interest as do the farmer members. As the numbers of farmers decline, R.E.A. cannot and must not contract; rather it should expand its services to meet more and more of the needs of farm and non-farm residents alike, in the areas it serves.

Another illustration occurred to me recently when I read of the formation of what was described as a "middleman" cooperative for the handling of eggs. A poultry producers' association, that had previously been primarily a feed and poultry supply cooperative, owns half of the stock. Retailers, led by a consumer cooperative with seven retail grocery stores, own the other half. The farmers get an incentive for quality and consumers benefit from better eggs. There is even an element of supply management involved. I understand that this is still a very young business, but that it distributed dividends on its first three months of operation. It could be the beginning of a very important development, building a bridge across the gap between producer and consumer, and improving economic conditions for both.

I said at the beginning that my high expectations from this Conference are based in the first instance on the fact that cooperative leaders from all parts of the nation and representing many forms of cooperative enterprise, have joined forces to at least explore the areas and interests you have in common. To the extent that you work together and can speak with one voice, your influence will grow.

As Secretary of Agriculture, I have sought your judgment and listened to your voices even when you have spoken separately and individually; because I value that judgment, because I believe in the principles you support, and because I know how much you have helped the farmers of America. But please keep in mind that you can get a far better hearing in many more places when you speak in concert.

## II.

My second reason for optimism about this meeting arises out of the significance of the principle of partnership with Government that this Conference represents. Permit me to outline as simply and briefly as I can what this principle means in a democracy.

We hear a great deal, nowadays, about "doing it yourself". In a sense all human progress results from doing it yourself. But there could be little done, in today's world, if doing it yourself meant doing it alone.

Today, machines dominate in production that used to be performed by human muscle. Computers are taking over work that used to be performed by the human mind. Horsepower as a measure of energy is being replaced by the megaton.

It is obvious, then, that much of what we would do for ourselves must be done together.

In this democracy we have developed many channels through which we work. The corporation dominates in business and industry because it represents a legal mechanism for pooling the energies and resources of many. The cooperative is one kind of corporation, similar in most features to a non-cooperative corporation but differing in the emphasis it places on democratic control and on the sharing of returns.

Another channel through which we work together is government. It is amazing how often people forget this--how often they look at government as something apart from the people--as something that takes taxes away from them instead of a channel through which they buy for themselves the services that government provides, many of which they could get in no other way.

As long as government is both for the people and by the people it is one channel through which we do things for ourselves. But it differs from non-governmental channels in one important respect. Even though it responds to the will of the people, that will is expressed by the will of the majority, and once it has been expressed, government can execute that will by compulsory means. This in simple terms is what is meant by "sovereignty of the state".

When we seek to solve our problems, to meet our needs, and to do it ourselves, with regard to those matters that cannot possibly be done by individuals acting alone, we exercise a choice as to whether we shall do these things through voluntary, private means or through government. In the United States we traditionally make such choices on a pragmatic basis rather on the basis of any "ism" or theory. As a practical people, this process has served us remarkably well.

We prefer to do things voluntarily. I suppose that no other society has ever developed voluntary organizations, both in the service fields and in the commercial and industrial world, to the size and extent of those we have developed here in America. Wherever we can meet our needs and solve our problems voluntarily we do it that way.

## How Government Gets Involved

Government is brought onto the scene primarily in three ways.

(1) When private institutions, particularly in the commercial field, get big and powerful enough to crush competitors ruthlessly, to monopolize a segment of business, to exploit labor or the consumer, government is asked to step in to provide and enforce fair rules of the game.

(2) When private voluntary effort cannot quite mobilize the resources to get going or to succeed in doing effectively a job that needs to be done, government is asked to help them get started, to assist them in various ways, by loans or grants or technical advice or by other means.

(3) Generally it is only when these two ways have failed to produce results regarded as socially and economically desirable by the majority of the people that government is asked to step in to do the job itself.

This, I believe, sets forth the basis of the principle of partnership between government and people. I should like to apply it specifically, now, to problems I hope you will consider.

First, are the rules of the game adequate to meet the needs of today? Are the rules that apply to cooper-



atives, with regard to monopoly and to fair methods of competition - - are these rules fair and equitable and in the public interest? If changes are needed in the interest of the organizations that you represent, can you demonstrate that these changes are in the public interest as well?

Second, are there essential needs that could be met and functions that could be performed effectively in the public interest by voluntary, cooperative organizations if government provided appropriate assistance? I am sure you understand that I am not asking you to come up with appeals for special favors. But throughout our history government has been called upon to assist the growth and development of private enterprise. From the protection of infant industries in the days of Alexander Hamilton, to the guarantee of loans for housing and for small business and including those special functions of great economic value that our government gives to banking institutions, this kind of assistance has long been regarded as a proper function of government.

In fields relating to your own activities I might recall the way our whole farm credit system was started by the advance of capital by the government under terms that provided for its eventual replacement by investments of the farmers themselves through cooperative institutions--a procedure that has worked so successfully that now the government's investment and the government's role have almost entirely disappeared. I need hardly mention to you the loans that made possible the rural electrification program that are now being regularly repaid. These are outstanding examples of partnership between cooperatives and government.

Another important element of partnership that is often overlooked is the investment by the government in research and education, with results and benefits available to help private, voluntary groups. Lest this field be underrated, I would point out that economists tell us that the single "input" that has contributed most to the economic growth of our Nation has been that of research and education.

Finally, we come to the question of just what things we should do for ourselves through government. This is at the core of all of the current controversy about farm commodity programs.

We have finally come to a recognition that we can produce food more abundantly than we can consume it. There is little controversy about the relationship between huge surpluses and low prices. The argument arises with regard to methods by which millions of individual farmers can effectively gear their production to amounts that the market can take at fair prices. I do not intend to go into the subject of commodity programs or the problem of adjusting supply to demand here today, but I think it is essential to make certain basic points.

This administration is committed to the goal of strengthening the family farm system, and of providing the climate in which the farmer can earn the fair income that is essential to that end. But it is not dogmatic about the methods to be used to achieve that goal. Our first preference is for self-help programs and voluntary methods wherever they will work.

The American farmer is so strong in productive capacity and efficiency that this strength is one of our Nation's great assets. But he has been so weak in the market place that he has not benefited as he should from his abundant productivity.

Cooperatives have done much to help farmers to achieve greater strength in the market place. Market power is dependent not only on control of supply, but also on many other important factors such as quality, handling, transportation, timing, and good public relations. If farmers can do more through the cooperative movement than they have already done to strengthen their market position, then government should be a willing partner to assist them.

If further progress can be made by improving and extending the use of marketing orders and agreements, with farmers determining the kind of operation and the government cooperating and watching out for the public interest, then government should encourage that approach wherever it will do the job best.

If the technique being followed by the "middleman cooperative" I referred to earlier, where producers agree to limit their production to eggs from a specified number of hens and the cooperative guarantees an outlet for that production - - if this technique works effectively for some commodities in some areas, then that approach too should be encouraged.

I repeat that this Administration supports voluntary methods wherever they can do the job - - even with regard to programs for basic commodities. But we must face the fact that when government programs are based on voluntary action by farmers, their cost may become a very important factor. If it appears that programs can work effectively at a cost that is acceptable only if all farmers participate, then mandatory programs seem to be required. In that case, we follow the established democratic principle of putting such programs into effect after they have been adopted by a two-thirds majority vote of the producers involved.

If cooperatives can do more to strengthen the farmer's market position, this Administration is eager to help. If you can help us to meet the problem of adjusting farm production to amounts that can be used, we welcome that help. Real partnership works two ways.

Finally, I want to present to you the challenge of a new area of partnership between people and government in the overall development of rural areas.

Great changes are taking place in rural America. In recent years we have used so much land for the production of crops that we have oversatisfied the Nation's need for food and fiber. At the same time we know there are many needs for land and water resources that are undersatisfied. We need more land for outdoor recreation, for timber, for grazing, for wildlife habitat, for industry, for highways, for other non-crop uses. We have an undersatisfied demand for open space for green areas around cities - - open spaces to look at and breathe in, to climb on, or just walk through. The new volume, *Resources in America's Future*, asserts that by the year 2000 America's greatest scarcity will be land - - not land for crops, just for elbow room!

This scarce and precious commodity exists only in rural America.

Our Rural Areas Development program seeks balanced use of land. It seeks to develop new opportunities for employment in rural America. It seeks to help people make a living on the farm by helping to provide recreational opportunities for the increasing number of people in metropolitan areas, all of whom will have increasing hours and days of leisure as the years go by.



This kind of development is new and challenging. Within reach of every crowded metropolitan area there now exist farmlands that either have developed or can develop grass and trees, streams and ponds for fishing and swimming, picnic and hiking areas, golf courses, space to enjoy the beauties of nature. There are farms that could offer vacations of real value to children and even whole families from the cities. No one farmer is likely to offer all of these. But a whole community of farmers could - - together - - offer a combination of tremendous appeal. Does the cooperative method offer anything here? Can we hope to find the vision, the imagination, the leadership and the know-how that will enable rural communities to develop this potential?

### **Commercial Recreation As Income Source**

Recreation is bound to expand into these areas. Perhaps it will be promoted commercially from outside the community, by someone who buys up the most promising sites from each farmer, leaving the farmer with less than he had--but perhaps offering him a job to take tickets at the gate of the amusement park. On the other hand, it might be developed cooperatively by the whole community.

Our new programs in the Department of Agriculture offer assistance and encouragement. But in this kind of effort local leadership within the community is essential. I leave it to you to take up the challenge from here.

### **III.**

My third and final reason for high hopes for progress as a result of your meetings here is the promise and the challenge that is inherent in the theme: - - Cooperatives and the Future.

Permit me to try to sketch briefly and with sweeping lines a picture that I believe leads up to the greatest challenge, the greatest hope, and the greatest problem that lies ahead.

I begin with my own job--I suppose that for the past two years my name, my job, and my problems have been coupled with "surpluses" more than with any other concept. I have been pictured in cartoons as a scarcely visible object almost completely smothered in a mountain of grain.

The more I study the problem and seek to find solutions, the more convincing it becomes that the stock-piles of grain, or of butter, or of cotton, are not in themselves the real problem. They are merely evidences of the fact that our capacity to produce in agriculture exceeds our capacity to consume. They are evidences that an age of abundance is at hand.

But this is only part of the picture. It is suggested by some that all we need is fewer farmers. Let the most efficient ones farm, it is said. Let the others do something else. But what?

America's excess capacity to produce is not confined to agriculture. Our percentage of unemployed in the cities is pretty close to the percentage of excess productive capacity in agriculture. Industry does not flaunt its unused capacity in the form of huge stock-piles of products that cannot be sold. It merely lays off workers.

Millions of unemployed workers cannot be stock-piled all in one place. They cannot be cartooned as easily as mountains of corn. But they, like the stock-piles of grain, are evidences of developments in both

industry and agriculture that threaten to create a surplus of people.

The scientific and technological revolution that dominates this age in which we live is proceeding at a rapidly accelerating pace. Changes we see today are only a prelude to greater and more far reaching changes that lie ahead. Changes already at hand have put us in an unprecedented position with entirely new problems. They have brought about an age of abundance. In this new age many of the methods developed to meet problems in an age of scarcity no longer work; many of the rules developed then are no longer applicable.

Science and technology, mechanization in agriculture and automation in industry, have enabled us to solve the problems of scarcity with regard to material needs, and they leave us with excess manpower--surplus human beings, if you will--no longer needed to produce food, clothing and shelter, left tragically without any place in our economy, and without means by which they can share in the abundance that can be produced.

Having met and conquered the problems of scarcity, it doesn't make sense for the most prosperous and powerful nation in the world to admit an inability to solve problems of abundance. It is unthinkable that we should accept conditions that impose insecurity and fear upon millions of Americans in our cities and on our farms because they cannot find a constructive place in our economic life--because they have been replaced by machines. It would be a denial of our faith in democracy--a faith based on regard for the individual rather than for either material things or the political state--for us to tolerate an economy characterized by a surplus of human beings.

This age of abundance can mean a future of plenty and of progress. As machines progressively eliminate hard physical labor and monotonous drudgery, man can earn a livelihood in order to enjoy the art of living.

But, currently, this abundance falls short in two ways. It is in these two remaining areas of scarcity that we must proceed to meet the challenge of abundance.

First, the abundance we have is an abundance of things, of the physical needs of life. We will have great scarcity and great need for education and recreation and those non-material things that make life more worth while.

Secondly, the abundance that we have is not shared. We have learned how to produce abundance faster than we have learned how to distribute it. It does not reach the disadvantaged groups in our own country. It seems almost out of reach for the overwhelming majority of the people in most of the nations of the world.

Cooperatives have in this country and many other parts of the world, made a unique contribution toward the goal of sharing--of better distribution. I am especially pleased to note the way American cooperatives are working in partnership with Government in carrying out our foreign assistance program. You have made contracts with the Agency for International Development to help the people of less developed nations toward higher levels of living and greater economic growth through cooperatives. You have encouraged your members and employees to take an active interest. You have very appropriately included this subject in your consideration of Cooperatives and



the Future, and I hope that your discussions here will result in an expansion and intensification of the efforts that you have already initiated.

In many of the emerging nations this kind of assistance in building cooperatives may be of supreme importance. It is of particular value in furthering agricultural development, without which these nations cannot hope to satisfy their rising expectations. It may be of even greater value because of its contributions to the development of democratic institutions--to the advance of freedom throughout the world. This goal is of such urgent importance that it commands our most serious attention and our best effort.

I would conclude by returning to the two-fold challenge that lies ahead:--to achieve abundance in those remaining areas of scarcity that are so essential for the good life:--and to share our potential for abundance with those millions at home and abroad whose needs are so great.

To meet this challenge we must step up our social engineering so that it may catch up with our advance in physical science and technology.

We must provide education and training for both youth and adults that will enable them to find a place in the new age, to engage in constructive and needed work, to enjoy and make the most of the increased leisure that machines make possible.

We must develop an economy that will promote a wider distribution of our abundance here at home, that will eliminate the pockets of poverty that now

exist, that will offer equality of opportunity to all Americans to share in our abundance.

We must continue to assist the people in the emerging nations of the world in their struggle for economic growth and development to the end that they, too, can share in the abundance that is becoming a birthright of all mankind.

I speak of this to a conference on cooperatives because you have chosen for your theme "Cooperatives and the Future."

I speak of it because the greatest promise of the future is the potential for plenty that is now possible, because the greatest challenge of the future is to make that potential a reality, because any movement or institution that hopes to command a position of leadership in the years ahead must help to meet that challenge.

I speak of it because it must have a bearing on all of your own plans for growth and development if you are to fulfill the function of leadership in our society of which you are capable.

I am confident that we can--and that we will--meet the challenge of the future. I believe that cooperatives have an important role. I know that the kind of social engineering that is called for in the years ahead will take the highest level of cooperation and partnership between people and government. It will take courage, creative thinking, change and adjustment, and hard work.

It will be worth the effort. The potential for plenty carries with it a promise of progress and our hopes for peace.



*A RESPONSE to Secretary Freeman by J. K. STERN,  
a member of the Advisory Committee on  
Cooperatives to the U. S. Department of Agriculture and  
President of the American Institute of Cooperation*

Today we are saying to the underdeveloped nations of the world--set up a Land-Grant college system, research, teaching, extension, laboratories, classrooms, informal education. Set up a federal agency like our U.S.D.A., organize buying and selling cooperatives, an R.E.A. Administration, a Farm Credit Administration, develop some trained agricultural leadership. Now we have all of this, so why can't we solve our own problems? What are the limiting factors?

In the U.S.D.A., including the Regional Laboratories, FCS, ERS, AMS, all of the State Experiment Stations, in addition to some research carried on by cooperatives themselves, there should be ample funds and staff to point the way for cooperative progress. If self-help cooperative activity was given a high enough priority we might get the results we need, but we aren't getting it today. The bulk of research funds is spent on production and while much of what is spent on marketing, processing, and distribution is helpful to

cooperatives, there is a very small percentage of the total spent on projects that are uniquely cooperative in nature.

How many people in the U.S.D.A. have any real interest in serving cooperatives or in knowing the important part they play in making our agriculture the envy of the world, and how many are definitely opposed to cooperatives?

How many long range planning projects, in U.S. D.A., in regional research projects, in State Experiment Station projects, point the way to encourage cooperatives to coordinate, or merge, or get together on advertising or merchandising, marketing, or promoting national brands which they own and control?

Who will do the research to encourage us to operate most efficiently on a regional or national basis--how many refineries and where, how many grain terminals are the optimum, how many dairy processing plants, how many nitrogen plants?



We look to Farmer Cooperative Service for nearly all of this help today--but theirs is a small staff. Should not more of the total resources in U.S.D.A. be directed to helping farmers in their decisions outside the line fence?

The county agent helped nearly every local co-op get under way, the college specialist advised them, the Experiment Station carried on some member attitude studies, some inventories of types of cooperatives, and other simple studies--the co-ops and the college were close together.

Today most local cooperatives belong to a regional which may cover many states or the nation. County lines and state lines are real barriers in dealing with most co-op problems today. Furthermore, the cooperative hires its own specialists--the ag teacher and county agent are a new generation, they had nothing to do with organizing the cooperatives and they know little or nothing about their operation or their significance in agriculture today--they never studied cooperatives in college.

Fewer state and county Extension staffs have regular in-service training programs on cooperatives than they once had. There are very few State Extension Specialists that are called "Cooperative Specialists", in fact, in some states and by some people in many states the word "cooperative" is carefully avoided.

Should cooperatives work more closely with Schools of Business Administration in our colleges?

What is the policy of the U.S.D.A., Land-Grant Universities, State Departments of Agriculture, State Extension Services, State Experiment Stations, toward cooperatives today?

Our State Councils of Cooperatives have been very helpful in getting cooperatives to work more closely

with each other, and to work with the educational, research, and regulatory institutions. What more must be done?

Have cooperatives failed to ask for enough help from research, teaching, and extension?

Can our research and extension people find a way to solve the handicap of county and state lines in working with regional cooperatives?

What has the Extension Service done about informing the public on the role of cooperatives in our whole economy--if this is one of their responsibilities? Can they help on membership relations?

What about long range planning? What about upgrading directors, managers, and other employees? Where should we look for help?

Why don't we get more emphasis on farmer cooperative activity in 4-H programs, FFA, and other youth activities? Is it avoided for fear of criticism or because we don't have the know-how to do the job?

How can cooperatives work more closely with the new county agent, the new ag teacher, the new college dean, the new college director of extension, the new director of the experiment station, the new state secretary of agriculture? How can major problems in cooperative research get priority or at least recognition from the top people in research in the U.S.D.A.?

How can we get cooperatives of all types to work more closely together on common problems?

How can we get cooperatives to be more interested in the problems and the legislative budgets of our universities?

How can we get cooperatives to employ more of the best qualified graduates each year?

Whose responsibility is it to educate farm people on the benefits of cooperative action?



*A RESPONSE to Secretary Freeman by  
KENNETH D. NADEN, a member of the Advisory Committee  
on Cooperatives to the U. S. Department of  
Agriculture and Executive Vice-President of the  
National Council of Farmer Cooperatives*

In his introductory remarks, our master of ceremonies Ken Stern referred to the theme of this conference "Cooperatives and the Future." Our objective is to focus on the ways and means whereby, in the future, cooperatives can do a better job for their farmer patrons than they are doing now. In order to accomplish this, cooperatives must grow in market influence. We must, through private and government action, create a climate in which this growth can and will be accomplished.

Many routes to cooperative growth are available. One of the important and effective routes is through merger, acquisition and joint action. For the purposes of discussion here, merger means the combination of two or more cooperatives into one organization; acquisition means the purchase or acquiring of a cooperative or a non-cooperative corporation to form an expanded or new cooperative; joint action means more coordination

and cooperation among cooperatives, with or without the creation of a new organization, but without loss of identity of each organization. These types of action are most useful in creating the large-scale organizations which can give farmers bargaining power necessary to compete with those to whom they sell and from whom they buy.

Those participating in Workshop #1 have the task of examining this route to market strength and of outlining a program to make such results a reality. We must look realistically at the obstacles. Are the obstacles to cooperative growth through merger and acquisition to be found in our cooperatives--in agriculture in general--in government--such as the antitrust laws and Federal Trade Commission--or in all three?

One of the topics this workshop may wish to examine--as background--is how large-scale organization raises farmers' bargaining power. Here are some of the



ways. The large-scale organization permits the accumulation of quantities of products so that a wide variety of markets-the large-scale buyer, the specification buyer, the industrial buyer, the foreign buyer-are accessible. The large-scale organization permits use of mass production in merchandising techniques that give low cost efficient processing and distribution which are not available to farmers acting alone or to small organizations. Much of this is well known to experienced cooperative personnel but it is well to repeat it as background.

The other side of this coin of advantage to farmers is the alleged disadvantage to consumers. Many people who hear of large-scale organizations being developed immediately express fears of higher prices or other disadvantages. I believe we must face this possibility frankly and this workshop should answer the question-"Will consumers be adequately protected by forces of competition if farmers gain more bargaining power and get higher income through their large-scale cooperative organizations?" Certainly if farmers ask the Congress to give them authority, which they do not have, for their cooperatives to grow in market power, they must assure the Congress that the change is in the public interest.

Any discussion of increasing farmers' bargaining power inevitably raises questions of the impact that change will have on the competitive environment. This will necessitate an examination of the nature of the competitive environment in which farmers operate as compared to the competitive environment in which buyers for farm products and sellers of farm production supplies operate. Many of these markets are characterized by having a few large operators. Fewness results in concentration of sales. This workshop may wish to examine the manner in which concentration, oligopoly or fewness has changed competition. Has it made competition more intensive in some ways and less intensive in others? Has it created administered prices and affected output in those industries? Has it changed competition from mostly price competition to mostly quality, service and non-price competition? What effect does the existence of oligopolies have on the ability to compete for a share of the national income? Certainly we cannot exhaust or even cover this subject adequately in our brief session but we can set out some principles which are essential to understanding our economy.

Some of you may recall reading or hearing of the debate on the revision of the Capper-Volstead Act which took place in the U.S. Senate in July 1961. The fundamental point being debated at length was the right, under supervision of the Secretary of Agriculture, of farmer cooperatives to grow through merger, acquisition and joint action. Fears were repeatedly expressed that cooperative growth through merger and acquisition meant an extension of monopoly power in the country. The proponents of the bill argued that an increase in market power is not the same as monopoly power and furthermore that an increase in market power by cooperatives is not the same as an increase in market power as used by industry and labor. Some have said that the confusion between market power and monopoly power is one of the most important barriers to cooperative growth by merger and acquisition. This confusion can be overcome and this workshop has a real challenge to establish some guide lines in this area which will be not only accurate but persuasive.

Another topic closely related to the development of market power by cooperatives was also raised on the

floor of the Senate in July 1961. That was the relation of growth in market influence to predatory practices. We have now before us the very clear mandate from the Supreme Court in the Maryland and Virginia Milk Producers case that, insofar as the antitrust laws are concerned, cooperative organizations are to be treated the same as other corporations. I believe it is clear that we must develop the methods whereby cooperatives can grow in market power without committing predatory practices.

Some people have said that the antitrust laws are a barrier to cooperative growth through merger and acquisition. Even though we all know of many mergers being completed without interference or objection from the Justice Department, our vulnerability to attack is great. It appears likely that antitrust laws will become much more specifically a barrier in the future when larger cooperatives seek to merge or acquire an existing facility and exercise more significant market influence.

Great opportunities for merger without violating the antitrust laws exist by combining small cooperatives. This was illustrated by the report made to former Governor Gaylord A. Nelson of Wisconsin by his Dairy Marketing Committee in September 1960. The objective of the committee was to explore ways of increasing efficiency and market power of dairy cooperatives. The report said, for example, "We believe that Wisconsin farmers would be better served if, instead of 319 cooperative dairy plants there would not be over 54 . . . . We believe Wisconsin farmers would be better served if practically all the butter, cheese and non-fat dry milk made by cooperatives today were sold by or through not over eight cooperatives of which no more than two would be sales federations." The report went on with several other recommendations along these lines.

The growth of cooperatives through merger or acquisition usually implies horizontal growth - that is, a larger share of the market at one level by combination of two or more organizations. We should not overlook the opportunity for cooperative growth through merger and acquisition that involves vertical integration. Although this subject overlaps another workshop at this conference on vertical integration it should also be included here.

Another subject which this workshop might want to consider is the need for special research and education work which will help to produce a better climate for cooperative growth through merger and acquisition. Have we, for example, explored all the opportunities for research on the non-economic factors which influence a merger? Have we, for example, brought to the attention of boards of directors the opportunity for greater efficiency, the opportunity for greater service to farmers through merger and acquisition? Have we looked carefully at the list of do's and don't's for successful mergers which have been developed by the Farmer Cooperative Service as a result of many years of experience and study in this field?

Let me repeat the objective of this workshop - to develop some specific plans and programs, including legislation, for increasing farmer bargaining power through cooperative merger, acquisition and joint action. Let us look frankly at the obstacles imposed by inertia, by ignorance, by habit, by other institutions, by the antitrust laws or by anything else and turn these obstacles into opportunities for cooperative growth.





*A RESPONSE to Secretary Freeman by E. M. NORTON,  
a member of the Advisory Committee on  
Cooperatives to the U. S. Department of Agriculture and  
Secretary of the National Milk Producers Federation*

On behalf of the National Milk Producers Federation I express sincere thanks to the Secretary of Agriculture for his interest in encouraging the creation of this conference. It goes without saying, also, that we sincerely appreciate his timely and inspiring remarks.

We in the National Milk Producers Federation have long felt the need to establish, or perhaps I should say re-establish, a close liaison between the United States Department of Agriculture and cooperative marketing associations. The cooperative movement, of which we are a part, developed largely as a result of encouragement and direction stemming from the Department of Agriculture. For many, many years the Department of Agriculture and the land grant colleges pinned great hope on strong cooperative marketing associations as the answer to the economic ills of farmers.

In their early stage of development the cooperatives looked to the Department of Agriculture for guidance. When they were faced with an acute credit problem, the Department came to the forefront with the Congress in the development of the Farm Credit System which included the Banks for Cooperatives. The Department also helped to develop the Agricultural Marketing Agreement Act to assist cooperatives in their efforts to administer a sound classification and pricing system.

I don't think that the Department of Agriculture ever really lost interest in cooperatives. But I do think that in the development of government farm programs, the Department of Agriculture became preoccupied with its own operations. At the same time many cooperatives developed size and stature and did not need the paternal arm of the Department of Agriculture to guide them. With the passage of time many have felt that the Department of Agriculture, instead of fostering cooperatives, has merely tolerated them.

In recent years many program administrators have bent over backwards in their efforts to be certain that cooperatives received no iota of treatment or consideration different from proprietary handlers of farm commodities. This change in attitude probably was not deliberate, but was the natural results of the change brought about by the development of programs, which placed the Department of Agriculture into direct contact with farmers.

Those of us in the cooperative field believe very strongly that farmers should rely on their own efforts to the greatest extent possible and depend upon government only for those things that are necessary and just

cannot be accomplished on an individual voluntary basis. I think this feeling is also prevalent among the general population and in the Congress. I believe also that Secretary Freeman and President Kennedy would like to see farmers do more for themselves so that the government could reduce its efforts to bolster the farm economy and to confine the budgetary requirements to a minimum.

I, for one, was extremely enthusiastic when Secretary Freeman proposed to the cooperatives that they rise to this challenge and indicated that he would lend his efforts toward that end. I do hope in this conference that we can explore some new avenues and remove some roadblocks to cooperative development and to good government-cooperative relationships. I think we must be frank in these discussions, and I am confident that the Secretary would be disappointed if we were not frank in discussing weaknesses in present cooperative organization and in cooperative-government relationships. We in the National Milk Producers Federation accepted the challenge, and are looking forward to a serious conference out of which both the cooperatives and the government can make measurable progress.



*Some Conference leaders share informal moment with Secretary Freeman (1).*





*A RESPONSE to Secretary Freeman by CLYDE T. ELLIS,  
a member of the Advisory Committee on Cooperatives  
to the U. S. Department of Agriculture and  
General Manager of the National Rural Electric  
Cooperative Association*

This Conference on Cooperatives and the Future offers both a challenge and an opportunity to all cooperatives in rural U. S. A.

Secretary of Agriculture Freeman spelled out this challenge in his letter to members of the USDA Cooperative Advisory Committee last January when he enthusiastically endorsed the Committee's sponsorship of a conference to bring together representatives of farmer and rural cooperatives.

Secretary Freeman stated then: "Farmer cooperatives have played a significant role in the advance of American agriculture. But I believe that cooperatives may have still greater potential for improving farm and rural economies than they have yet developed and that a conference dedicated to a serious exploration of the contributions they might make in the years ahead would be most constructive."

The Secretary continued: "Such discussion could include opportunities for members to help themselves on a do-it-yourself basis as well as opportunities to improve conditions in partnership with government."

With all due respect to our great Secretary of Agriculture, I believe that he understates the case when he says that "cooperatives may have still greater potential for improving farm rural economies..." I am convinced that they do have. Further I am convinced that the first and most important step that we must take in answering the challenge of making greater contributions to the welfare of rural America is to devise some method of welding a new unity among cooperatives.

Only through a tightly-knit unity of purpose and of action can cooperatives hope to be successful in exerting a force vigorous enough to restore a deteriorating rural America to full partnership in the nation's economy.

Economic and social decay are spreading across the countryside like a brush fire, leaving behind the charred ruins of once-thriving towns and villages and rural homes.

Perhaps no one knows better than the rural electric cooperatives that many of the institutions, including businesses, in rural America are disintegrating. One absolute measure of this is the fact that there are today along the rural electric lines over 500,000 homes, businesses, schools and churches closed down--homes and institutions to which the rural electrics had built lines, but from which they have not taken them down.

Rural America's brightest hope of averting absolute calamity is for rural people to use cooperatives to answer the urgent need for help. Outside of government, corporations are the vehicle through which things are done in the 1960's, which calls for concerted area or community action. Cooperatives are corporations, and

they are the only kinds of corporations which can constitute such a vehicle, for they do not depend upon profit for their success, and there wouldn't be any profit in providing most of the services we are talking about in the rural areas.

Co-ops can reverse the tragic decline of rural areas. By their very nature and by the fact that they are the only corporate entities which blanket rural America, cooperatives are uniquely suited to helping rural people solve critical problems, which if left unsolved, will destroy rural life and institutions including our own.

Paradoxically, we in the cooperative movement, while dedicated to the mutual help principle, have often lacked the vision and desire to join hands with other cooperatives outside of our particular spheres of operations. Whether this is a sin of omission--which I think is the case--or whether a sin of commission, is of minor importance.

The important thing is that we are not now cooperating among ourselves as effectively as we could. And until we do, we shall be continuing to dilute our tremendous potential for development and growth.

It also appears paradoxical to me that farmer and rural cooperatives have not seemed to recognize fully the opportunities that they have in the nation-wide effort to revitalize rural areas. It is logical to expect cooperatives to take the lead in rural redevelopment since their very existence depends upon a prosperous and viable rural America.

The motive for the rural development program is to help rural people shape a new and better life for themselves and their children. This essentially is the same motive on which our cooperatives have been founded.

Although many cooperatives are actively participating in rural redevelopment, here again they are dissipating some of their efforts because of lack of a unified, well coordinated approach.

When one considers that there are over 22,000 farmer and rural cooperatives, with billions of dollars in assets, hundreds of thousands of employees, hundreds of thousands of directors, and several million members, it would appear that cooperatives should always be in the forefront of the rural development effort. How to awaken this sleeping giant and to unleash its force for the benefit of rural America is the crux of the matter as I see it. And it will be the subject of prime concern at Workshop No. 4.

In facing the challenge of the future, we need also to urge Congress and the Administration to reactivate their long-standing policy of actively helping to encourage the cooperative movement. This policy is clearly enunciated in the statute books of the United



States and in the pronouncements--most of them not recent--of various government departments and agencies.

For example, the Capper-Volstead Act of 1922 gave cooperatives their great Magna Charta recognizing our rights to act together in associations. And as recently as 1961, the Act for International Development proclaimed it to be the declared policy of the United States to encourage the development and use of cooperatives in the foreign aid program.

In 1952, the USDA expressed its policy on cooperatives as part of its specific responsibility to promote the well-being of the rural population and its broad responsibility to promote the welfare of the nation as a whole. In 1961, Secretary Freeman reaffirmed this policy saying: "...We shall seek to expand the horizons of cooperatives in America..."

Cooperatives then can rightfully expect Congress and the Administration, particularly the Department of Agriculture, to give renewed emphasis to this policy by vigorously supporting the co-op movement by deeds as well as by words. In recent years, this policy has not been carried out with the enthusiasm and vigor as once it was.

If, as a result of this Conference, we can set in motion plans for a new unity among cooperatives, and for more effective partnership between government and co-ops, we shall be able to mark this meeting as one of the most significant milestones in the history of the co-op movement.

And action which stimulates and promotes cooperatives will simultaneously unlock the door to a more prosperous and stable rural America.

We shall be exploring in detail this two-pronged challenge at the workshop on rural development. We shall examine what cooperatives have done as well as what they should be doing in order to assume a larger leadership role in bringing new social economic opportunities to all rural Americans.

1. Now that President Kennedy and Secretary Freeman have invited us of the cooperatives to help point the way and no doubt do much of the work in the rebirth of rural America, do you think it would be helpful if they would spell out in new pronouncements, for our consideration and perhaps for consideration of the Congress, a

course of action for more cooperation among cooperatives and the assumption of more responsibility by them?

2. If farm and rural cooperatives are as important as Congress has indicated, and as we say they are, in the solution of farm and rural problems, are they not important enough to call for the delegation within the Department of Agriculture of high-level staff and line responsibility for their promotion and success?

3. In order to establish effectively such delegation, would it not be necessary to designate specific positions both on the Secretary's staff and in the line agencies for the carrying out of this responsibility--and actually put it in their job description?

If anyone would suggest that such delegation and responsibility now rest in Farmer Cooperative Service, let me reply that this fine little service is doing next to nothing in the kind of promotion I am talking about.

4. If the vast Department of Agriculture is to be effective in promoting and aiding farm and rural cooperatives, do you think the Secretary should consider placing in a position of high responsibility, as regards co-ops, an outstanding cooperative leader of long promotion and operating experience?

5. Now that we of all farm cooperative groups have met for the first time like this in what I hope will be an historical event, are we capable of setting up at this meeting a continuing committee or action group to work toward what I believe we all recognize already to be a common cooperative cooperation goal?

In doing all this, we can also show the way abroad. We can supply much of the know-how necessary to help the rural peoples of the emerging countries, whose conditions are similar to our own during the great depression, to build self-help institutions to provide themselves with goods and services which they can never get in any other way.

In the Rural Areas Development Workshop, we are going to consider these and all the other questions you raise.

During the next two days, we have the opportunity of charting a course of action for cooperatives in the all-important field of rural development. This presents a rare opportunity that can open up a new era of growth and leadership for cooperatives for rural America. Let us make the most of it.



*A RESPONSE to Secretary Freeman by JERRY VOORHIS,  
a member of the Advisory Committee on Cooperatives  
to the U. S. Department of Agriculture and  
Executive Director of the Cooperative League of the USA*

If we really want to preserve the American pattern of agriculture we cannot expect to do so without a very substantial expansion of cooperative activity, ownership of cooperative facilities by farmers, and increased integration of cooperative services.

It would avail comparatively little even if a virtually perfect balance between the supply and demand of agricultural commodities were achieved through govern-

mental programs unless really effective bargaining powers can be restored to the nation's farmers.

Cooperatives could largely solve the problems of agriculture and our farmers. Cooperative enterprises owned by farmers and by farmers and their neighbors could give primary producers enough ownership over profitable sectors of the food and fibre business to provide the kind of integrated operation that most other American industries have long since achieved.



We have already accomplished part of this job through the integrated rural electric cooperatives, the cooperative oil companies, the cooperative fertilizer companies, cooperative farm credit and cooperative insurance, and to some extent in some fields of processing.

The title of Workshop 5 is as follows:

Are U.S. cooperatives strong enough, united enough, interested enough and far-sighted enough to help the people of other countries develop cooperatives there?

Were this the case-

- (1) Farmers' economic bargaining position would be strong, not weak.
- (2) Farmers would achieve economic independence based on the only solid base for such independence, namely ownership of needed facilities.
- (3) To the present income of agriculture would be added part of the income that flows from processing, packaging, marketing, distribution, production of supplies and the furnishing of services to agriculture. Good examples of this are oil, fertilizer, chemicals, insurance, credit.

Every one of the steps in this sort of integration has been taken successfully already someplace

In farm credit

In marketing

In processing and packaging

In marketing and sale to retail outlets-direct to consumers

In insurance

In electricity

In chemicals and fertilizer

In petroleum products

To meet the Secretary's challenge all we have to do is what we have done-at its best-only we have to do it on a much larger scale. We have to extend farmer ownership much closer to the consumer's table, to marshal cooperative finances, and we have to integrate both marketing and supply much farther and through larger and better coordinated organizations than we have done before.

Unless there is national marketing through cooperatives it will come another way-and it will not last.

The real questions are

- (1) how badly we want to do this
- (2) whether enough capital can be had to do it
- (3) whether we believe deeply enough in the values of cooperation to try.

Cooperatives are the only answer to the problem of U.S. agriculture that has no MINUS factors in it.

But-only a missionary church does very much good for the souls of its members.

A church whose vision extends no farther than the welfare of its own members will never be a great--nor a very Christian church.

Great churches are those with a concern for all people everywhere. Great churches have always been essentially missionary churches.

Maybe cooperatives need to learn something from this. Often the lament is heard that the pioneers knew what the cooperative was for, why it was needed, the benefits it brought when it first went into business; but the new generation of cooperative members take it for

granted, tend to criticize it instead of taking responsibility for improving it.

What would happen to our cooperatives and their members' interest if they became deeply concerned to pass on to people in other parts of the world--people distressed by poverty and threatened by communism and the remnants of feudalism--the knowledge of how to form and use cooperatives which has been of so much benefit to the people of the United States? Maybe if we started on a program of this kind our cooperative members would begin to see what it is like for farmers to be entirely at the mercy of money lenders and middle men, without electricity or good fertilizer or good seeds.

The best minds of the newly developing-and struggling-countries of the world agree that the best single way to combat feudalism or communism is to enable their people to organize cooperatives to deal with their problems. And they are asking the cooperatives of the U.S. to help them-not so much with money but with people and their time and knowledge.

If the real question is motivation-and I believe it is-then maybe we shall find that motive for growth and integration of our cooperatives at home in the challenge to try to give away the benefits of cooperation to peoples who need them so desperately in other lands.

Do we sincerely want to solve the problem of our agriculture by means of cooperatives? We can if we want to badly enough.

We'll need capital, management, public education, integrated ownership, united purpose, and full moral support from government.

Right now it is an open question whether we will fulfill what cooperatives of the United States could do for the people and their society in newly developing countries. It is still a question whether we will make the kind of success and true center for cooperative training and research which our International Cooperative Training Center at the University of Wisconsin should be.

We still do not know whether we can secure enough participation from major cooperative organizations in this country to develop a successful Cooperative Development Association to carry out economic enterprises where most desperately needed in foreign countries.

Of one thing, however, we can be perfectly sure. We shall not be able to provide through cooperative integration the kind of economic bargaining power which our farmers must have nor can we expect to do the task which challenges us in foreign countries unless we recognize that cooperatives of all kinds in the United States must stand staunchly together. We need to realize that an attack on one kind of cooperative is an attack upon them all.

We must know that if the power companies succeed in denying electric cooperatives the right to generation and transmission loans, all cooperatives in the nation will be weakened. We need to know that if the organized opposition to credit unions succeeds in curtailing their right to organize credit unions among church parishes or community groups or in rural areas that all other kinds of cooperatives will be hurt.

The pressures against people's efforts to meet their own needs by their own efforts will be for some strange reason apparently unending and unrelenting. We must meet those pressures together. That we are holding this Conference gives promise that we can.





A RESPONSE to Secretary Freeman by  
ROY F. HENDRICKSON, a member of the Advisory  
Committee on Cooperatives to the  
U. S. Department of Agriculture and Executive Secretary  
of the National Federation of Grain Cooperatives

The Book of Genesis for this Conference, Mr. Secretary, is your letter of January 17 to members of the Department's Advisory Committee on Cooperatives. Your address has expanded on the sincere challenge of that letter.

Today, you have spelled out your hopes for a greatly enlarged role for cooperatives - if they want to accept it. I share your hopes and your enthusiasm for the opportunity at hand to serve farmers better.

The magnitude of the problems farmers now face, ranging from price and income through necessary adjustment to change and even survival, requires more and better cooperation all across the rural landscape. The farmer, his cooperatives, and the Government need now, and often, to double-check their watches and compasses and to try to agree at least on the map to be used for the journey ahead.

We will not finish this job by tomorrow noon or sundown. For that reason a plan for continuity of this Conference effort is needed, to press on systematically with the broad assignment. This Conference has an enormous opportunity to lay the foundation for a response that can serve as a benchmark. Your support is a great initial asset.

There are many kinds of cooperatives represented here today. Their mission varies, as do the methods used, the record of accomplishment, the quality of leadership, the breadth and depth of their influence. Their variety and diversity is an asset, too. Institutions represented here have much in common; they are all capable of growth and expansion, of serving more farmers better, or performing more service at cost for the rural population.

Cooperation is more than a state of mind, more than a mystique, more than hopes wrapped in good intentions. To make cooperation work requires solid objectives, careful planning, dedicated leadership, initial capital and credit, much sweat and sensitivity to environmental change, economic, technological, political.

All this, and more, was recognized by the committee in designing the program. We could have scheduled and listened to a few speeches, interesting variations on very old themes. We might have gone home filled with a vague discontent, a sense of non-accomplishment. The need is for more agreement on goals and guidelines, penetrating self-analysis, and precise suggestions for Congress and the Department of Agriculture and other agencies to release more fully the potential of cooperatives.

We decided to put everyone to work - in six workshops. We could have set up 26 or 36 or more subject matter areas.

I will talk briefly about the one for which I have special responsibility.

The area to be covered is that of Government-cooperative relationships, in its broadest yet most specific sense. It is phrased as "Cooperatives and Government - Competitors or Partners?" This is a controversial area. It needs ventilation.

Cooperatives and Government farm programs in the final analysis have a mission in common - to serve farmers, recognizing the great and historic need for expanding the market power of farmers. This insistent need has never been met in full.

For major commodities I believe that both cooperatives and Government programs are needed and will be here to stay in some form. I believe that better cooperative-Government relationships are long overdue.

Workshop No. 6 will seek agreement at the outset on a few premises, including these:

A. That farmers require now and in the future far more tangible market power.

B. That the role of Government and the role of cooperatives should mesh better, complementing each other so as to avoid waste and needless conflict.

C. That the least the farmers have the right to expect is the spirit of partnership between cooperatives and Government in the best sense.

D. That both cooperatives and Government can improve their performance in this respect and should move lively.

E. That in the area of credit, the Government acted wisely and cooperatives responded well. It took Government action to create the Farm Credit System, the Co-op Banks, and the REAs. There are other areas of need where Government-cooperative partnerships might be useful. What are they?

F. That when farmers join together to form bona fide cooperatives, these should be recognized equally with individual farmers in farm action programs.

Workshop No. 6 will encourage constructive critical analysis, seek to be fair. It is healthy to appraise what the Government is or is not doing that helps or hinders the growth and development of self-help institutions by producers.

The plan for Workshop No. 6 is, after a brief presentation of the subject matter, to be open for discussion by all. We expect controversy. Why not? We will have a referee to keep order.



We aim to come up with a report with meat on it.

Pro-tem we will use as our keynote this quote from a paper published in 1957 by Martin Abrahamson, an able student of cooperatives long associated with the Department of Agriculture.

He wrote: "For the past 25 years, cooperatives largely have been a neglected force in agriculture policy - a force that has not received adequate attention as a means by which the economic position of farmers may be improved."

I believe this. The blame for this neglect should be partly assessed to cooperatives themselves. A part can be assigned to our law-makers and a part to the

leadership of the Department of Agriculture over the years.

Now I sense a major change in prospect. The fact that the Secretary of Agriculture created the Advisory Committee on Cooperatives, is meeting personally with it, the comprehensive nature of the challenge he set forth in his address today, all of this is constructive. It holds promise of a new day.

I am heartened by his emphasis on the self-help philosophy, on his attitude, on his willingness towards rebuilding the spirit of a partnership. This is the least the farmers of this country have a right to expect of all of us.



*At the banquet (from left) Senator Humphrey, J. K. Stern, Secretary Freeman, Senator Aiken and (standing) Roy F. Hendrickson*



## *How Can Farmers Develop More Bargaining Power Through Cooperative Merger, Acquisition and Joint Action?*

One premise and assumption of this workshop was that mergers, acquisitions and joint action are an important route to cooperative growth; and that cooperative growth is desirable and essential in order to raise farm income through the market system.

Discussion covered opportunities, goals and obstacles related to cooperative growth through merger.

The workshop selected three major areas for discussion:

1. Major obstacles to cooperative merger, acquisition and joint action.

2. Opportunities for joint action and coordination without merger in the fields of purchasing, manufacturing, marketing, merchandising, research and development and for joint action between farmer and consumer groups.

3. Opportunities whereby, through cooperative merger, acquisition and joint action, farmers may achieve control of sufficient volume of commodities to influence their bargaining power.

### **MAJOR OBSTACLES TO COOPERATIVE MERGER, ACQUISITION AND JOINT ACTION\***

The participants in the workshop developed the following statements of principle and made recommendations to the Cooperative Advisory Committee concerning this subject:

#### **A. Farmer, Director and Management Education**

Several factors and activities which affect the basic education and attitude of farmers, directors and management toward mergers were discussed. Improvement in education and affirmative attitudes can best be accomplished by diligent use of facts from unbiased sources which may include, but is not limited to Farmer Cooperative Service, land-grant universities, Banks for Cooperatives, private counseling agencies and regional cooperatives - if the merger is local. Progress can also be achieved through emphasis by the management, the board and others involved in long-range planning of the affairs of the cooperative and trends in the markets in which it operates. It is useful to define, early in merger negotiations, the responsibility and authority residing in the board of directors, management and membership. It is also desirable to explore merger possibilities with a select group of executives and officials with a minimum amount of publicity in the initial stages. In discussions of proposed mergers, officials should, whenever feasible, concentrate on areas of agreement rather than areas of disagreement.

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\* In this section the term "merger" will be used to include merger, acquisition and joint action.

#### **B. Fiscal Arrangements and Capital Acquisition**

Obstacles which occur in these fields can be met, in part, by early attention to such fiscal matters as value of assets, patronage revolvment and membership control. The amount and various sources of capital needed, sound procedures for its acquisition, and method of repayment should be developed in complete detail.

#### **C. Guideline for Merger Procedures**

Reference was made to the great help which has been given many cooperatives by the Farmer Cooperative Service and others in outlining a detailed step-by-step procedure for conducting merger negotiations and completion. Among the important steps mentioned was a systematic review of state statutes under which cooperatives are incorporated to insure that proper merger authority exists. The recommendation was made that more attention be given by the Farmer Cooperative Service, regional cooperatives and other qualified groups to develop up-to-date procedural guidelines for use by cooperatives contemplating merger.

#### **D. Consumer Reaction and Public Relations**

The workshop considered this to be an extremely important part of any merger consideration because of the danger of misunderstanding of the motives and actions of the farmers who benefit from the action. Examples were given of adverse public reactions to mergers which have occurred in the past. The workshop made the following recommendations for action which will tend to create favorable public reactions:

- (1) Emphasis should be placed on the long-term benefits rather than the short-term benefits to be achieved by the merger.

- (2) Emphasis should be placed on the mutual advantages to consumers and farmers resulting from increased efficiency. Reports and public statements should stress such things as savings in overhead costs, savings in transportation expenses, greater production and marketing efficiency from the action. The great benefits to consumers from production efficiency on farms and the great bargain which food is to U.S. consumers today should be stressed.

- (3) Cooperatives contemplating merger or acquisition should carefully avoid action which has the appearance of or can be misinterpreted as being predatory in nature.

- (4) Attention can be given to the benefits derived from greater competition in markets for farm products and farm production supplies which will be accomplished by larger scale operations.



### E. Antitrust Laws

The workshop recognized that many opportunities for merger among cooperatives exist and can be accomplished without being questioned by the Antitrust Division of the Department of Justice. These opportunities should be pursued continuously and vigorously since they constitute opportunities which are available without further legislative action. Accomplishment of this type of merger is primarily the responsibility of the farmer members, the management and the directors of existing cooperatives.

The development of market power by cooperatives is often misinterpreted as the growth of monopoly power. Workshop participants noted that large-scale operations of farmer cooperatives do not begin to approach the size and scope of large-scale operations by corporations in other fields. They also noted that fewer buyers of farm products necessitates the development of large-scale operations by cooperatives. It was also pointed out that the competition developed by cooperatives is a different kind of competition from that developed by other corporations. On the marketing side a cooperative seeks a higher price for its members, yet its competition is different because of its obligation to market the whole crop over a long period of time and to return the full price to the farmer patron. In the same manner a supply cooperative is a buyer of products for farmers and not a seller of products to farmers. Its price objective is exactly opposite to that of other corporations selling to farmers. Large-size operations by cooperatives increase competition rather than decrease it.

The group agreed that the rules governing competition among cooperatives should be different from the rules governing competition among proprietary corporations. Congress has recognized the different status of railroads, airlines and banks and has established separate forums for regulating competition in those fields. Cooperatives are a sufficiently different form of business to justify a different forum for obtaining proper clearance for mergers and acquisitions. Since there is uncertainty and confusion regarding the application of antitrust laws to cooperatives, the workshop recommended the following action:

A clear-cut procedure for securing antitrust clearance for mergers and acquisitions by farmer cooperatives should be established and that this authority be vested in the Secretary of Agriculture.

### OPPORTUNITIES FOR JOINT ACTION AMONG COOPERATIVES WITHOUT MERGER

There was considerable discussion in the workshop of the opportunities for joint action and coordination without merger in the purchasing, marketing, merchandising, promotional research and development fields and between farmer and consumer groups. Many examples were given of the kind of satisfactory and profitable joint action which had occurred in the past. It was pointed out that this type of action is especially desirable since it does not involve merger procedures or the antitrust question. The workshop recommended that the Cooperative Advisory Committee seek ways and procedures to increase farmer bargaining power through the following and other types of joint action: branding, labeling, quality control, research and development, and pooling of products for marketing.

Members of the workshop expressed the need for obtaining information on potential joint action by cooperatives.

### ASSEMBLY OF LARGER VOLUME OF PRODUCT

Workshop personnel discussed the desirability of cooperatives handling a large share of the volume of any farm product being marketed in order to enhance farmer bargaining power and achieve income for farmers comparable to other segments of our economy.

However, since the scope of operations of cooperatives falls so short of this goal at the present time, it was concluded that no constructive recommendation could be made until cooperatives have greatly increased their effectiveness in the activities in which they are now engaged.

## REPORT AND RECOMMENDATIONS OF WORKSHOP NO. 2

### *How Can Research and Education Contribute to Farmer and Cooperative Adjustment in a Dynamic World?*

1. We need research that will establish goals and create economic models for the guidance of cooperative leaders as they try to build the kind of cooperatives that will best serve the farming community and the society of the future. Such research should be undertaken by the U.S.D.A. and the state experiment stations on a coordinated basis.

2. We recommend a nationwide survey of cooperatives and a research project along with it to clarify and

more clearly define the place of farmer cooperatives in our economy and determine areas in which changes and adjustments are most needed. Such a project should enlist the services of the U.S.D.A., the land-grant institutions, state councils, regional cooperatives, the state departments of agriculture, farm credit agencies, and other interested agencies and organizations. We recommend that this be conducted by the Farmer Cooperative Service, working with the cooperatives and other agencies named.



3. We recommend more emphasis on research in the broad field of agricultural business, with particular emphasis on cooperatives, in our land-grant colleges and universities and in the U.S.D.A.

4. There is a great need for clarification of responsibilities concerning cooperatives. We urge a positive reexamination of U.S.D.A. policy concerning cooperatives under existing laws and that this be emphasized with all U.S.D.A. and affiliated agencies and the entire personnel at federal, state and county levels.

5. We recommend that the U.S.D.A. take the lead in organizing an advisory committee to work with the Justice Department, the Federal Trade Commission, and other federal agencies in clarification of laws and regulations which facilitate the growth of cooperatives.

6. We recommend that in the allocation of federal funds to the various states, proper amounts should be earmarked for the encouragement of research and education in the field of agriculture cooperatives.

7. We commend the Farmer Cooperative Service of the U.S.D.A. for the tremendous job it has done with a limited budget through the years. We urge increases in the F.C.S. budget to permit expansion of their research and services in keeping with the growth in size and complexity of our farmer cooperatives today.

8. In some land-grant colleges and universities there are well-organized and well-accepted courses in the principles and practices of cooperatives. In others such courses have little acceptance and in some institutions they are nonexistent. We urge that courses in cooperatives be offered in all land-grant institutions, that they be given the greatest possible emphasis in the program of all students in agriculture, and that they be required courses for all who are preparing for careers in extension work or in the teaching of vocational agriculture.

9. We appeal to the leaders of 4-H and other youth and young farmer organizations at all levels to develop projects and programs that emphasize the importance of self-help cooperatives. We urge all cooperatives and state councils to work with these youth groups by providing local leadership and other assistance, and developing and contributing teaching or project material and other aids needed.

10. To encourage more research related to farmer cooperatives and to improve the relationships with our educational institutions, we recommend that more cooperatives provide scholarships and assistanceships to land-grant institutions.

11. We urge that cooperatives in their respective states seek out and utilize the full resources of land-grant colleges and universities, including schools of business administration and others, as well as schools of agriculture.

12. We recommend that the personnel of state departments of agriculture, land-grant colleges and universities, and U.S.D.A. affiliated organizations and agencies reexamine the laws and regulations of their respective states concerning their relationships and their responsibilities in respect to cooperatives. We recommend that cooperative leaders familiarize themselves with these same laws and regulations.

13. We commend the land-grant colleges and universities and the state extension services that have written policies explaining their relationship with and responsibilities concerning cooperatives. We urge the development of such policy statements in those states where they do not now exist.

14. Since many problems of farmer cooperatives no longer confine themselves within one state, we encourage a regional approach to research and education in problems that are regional in nature.

## **REPORT AND RECOMMENDATIONS OF WORKSHOP NO. 3**

### *How Can Cooperatives Grow Through Integration?*

This workshop discussed many measures aimed at strengthening cooperative associations. As an example, it was cited that the efforts of bona fide cooperative associations were being neutralized to a great extent by associations of doubtful qualifications which, nevertheless, have been recognized by the government for participation in such programs as federal milk marketing orders or for doing business with the government. The desirability was stressed for clearly defined qualifications for cooperatives as a prerequisite for participating in government regulatory programs or for doing business with the government.

As means of strengthening cooperative operations and encouraging the integration of their operation, it was suggested that cooperatives might be authorized to carry out certain purchase and storage programs in connection with government price support operations under the "loan" authority of the Agricultural Act of 1949. Individual cooperative associations thus could store more of their own products for supplying their own accounts at a later date if they could use loan funds from Commodity Credit Corporation.

The danger of a conflict of interests between government programs and cooperatives could be minimized, it was suggested, by making sure that foreign agricultural imports, government sponsored projects, and federal mandatory programs do not introduce an element of competition with cooperatives, or between cooperatives and other segments of the economy.

It was the consensus of the workshop that the Secretary of Agriculture should seek a review of public policy with respect to cooperative associations by the entire executive branch of the government. In view of the responsibilities vested in him to prevent undue price enhancement by cooperative associations, it was felt that the Secretary should have exclusive responsibility and authority for approving cooperative mergers, acquisitions, examining trade practices, and ruling on complaints alleging undue enhancement of prices by cooperative associations. On the Secretary's recommendation, appropriate action could be taken against a cooperative by the Federal Trade Commission or the Department of Justice.

## *How Can Cooperatives Assume A Larger Leadership Role in Rural Areas Development?*

We believe that more cooperation among cooperatives for the total good of rural America will contribute greatly to the progress of rural areas development.

We suggest that opportunities for such cooperation exist in various fields, and recommend that the six sponsoring cooperative federations make plans to continue to build upon the work of this conference, and we further recommend:

1. Bring the various cooperatives together at state and local levels to work cooperatively on rural development through state cooperative councils, REA state organizations, or committees of existing cooperatives.

2. Urge cooperatives whenever possible to employ qualified personnel to work on rural development.

3. Urge cooperatives to take the leadership in efforts to prevent school drop-outs and to provide vocational training which is realistic in terms of current and future job opportunities. Training films, literature, and other educational material should be made available to schools.

4. Enlist cooperation of other groups, such as farm, business, service, church, labor organizations, banks, land banks, credit unions, local governments, women's organizations and others.

5. Urge U.S.D.A. to supply case histories and ideas for sound projects which might be considered by local people as possibilities for their areas.

6. Urge U.S.D.A. to take every possible action to streamline its RAD program.

7. Urge that the Farmer Cooperative Service work with the sponsoring organizations to screen all existing literature and see to it that proper distribution of the essentials is made to cooperatives.

8. Urge all cooperatives and all government agencies to inform local people of the help available to them in overcoming their problems and developing their opportunities.

9. Urge the Administration to develop more inter-departmental and intra-departmental coordination.

10. Urge that more personnel trained in rural areas development be made available to communities upon request.

11. Urge U.S.D.A. to encourage development of sound cooperatives in rural areas where needed.

12. Urge rural development committees to utilize the facilities of cooperatives whenever a project can be furthered by the help of such organizations.

13. Urge Government and cooperatives to work together in a concentrated program to provide more effective service to the marginal and submarginal groups in this country and to attack the over-all problem of rural poverty.

14. Congratulate Congress, AID and the Peace Corps upon their decision to offer to emerging countries the technical and managerial know-how of U.S. cooperatives in rural area development; and urge all cooperatives to offer their services and pursue programs to this end.

## *Are U.S. Cooperatives Strong Enough, United Enough, Interested Enough, and Farsighted Enough to Help the People of Other Countries to Develop Cooperatives?*

The answer to the question is generally yes.

Our farmers' marketing and supply cooperatives have made steady progress and a recent study by Farmer Cooperative Service shows that their volume of business over the past 12 years follows a trend line substantially above that of total marketings and total supply purchases by farmers. Total volume of business of farmers' marketing, supply, and electric cooperatives is \$12 billion dollars a year.

There are some outstanding examples of well-integrated, highly efficient cooperative enterprises in both the supply and the marketing field. Petroleum cooperatives, for example, compete effectively with larger major oil companies.

The Farm Credit System has proved in almost every respect an outstanding success. It has not only brought interest rates on agricultural credit to a very modest level, but has reduced them in many cases by more than



100% from earlier levels. It gives farmers and their co-operatives ownership and control of their own financial institutions.

The 1,000 electric distribution cooperatives with their associated generation and transmission systems have transformed rural America and made it as modern, well equipped and efficient as urban America has ever been.

Cooperative insurance companies are as effective in their field as any other insurance companies.

The 20,000 credit unions with over 13,000,000 members have enabled groups of average citizens to acquire habits of saving and to have a source of credit built by their own savings which enables them to borrow from themselves, pay interest to themselves, and build their financial strength and security by the amazing process of going into debt.

In housing and distribution of consumer goods there are instances of outstanding achievement by cooperatives. While in neither case is the development as yet nearly as large as it should be, nevertheless what is now being done by cooperatives in both these fields is - and must be - as efficient as its competition.

With much still to do here at home, it is nevertheless fair to conclude that American cooperatives are in position to export the know-how and the benefits of cooperative enterprise as we have developed them here.

## **II. Do the People of Newly Developing Countries Need and Want Cooperatives?**

The answer is a resounding yes! The basic need of many emerging nations is for free economic institutions which their people can use to raise living standards, to achieve ownership of their own economic tools, to combat trends toward totalitarianism, and to replace outworn, rejected, and exploitative systems.

Cooperatives are uniquely fitted to do this. They can be organized by many people each with small capital. They are by their very nature, and must remain, locally owned enterprises. They cannot be used for exploitation of anyone. They spread ownership broadly among many people, and, being patron- and user-owned, they can be organized and directed squarely at the most pressing and immediate needs of the people.

Furthermore, in country after country it is now state policy to promote the development of a strong cooperative section in the economy. Japan is an example of a country where this already has been done - in agriculture particularly. Such is the policy of India, of Indonesia, of Viet-Nam, of Israel, of the Philippines, of Tanganyika, of Nyassaland, of Egypt, and to a lesser extent of some Latin American countries. But even where national policy is not committed to the growth of cooperatives, the people of nearly all the developing countries are eager to learn about cooperatives because they believe cooperatives offer their best alternative to state collectivism on the one hand and feudalistic exploitation on the other. Repeated examples can be given of appeals to U.S. cooperative organizations to provide varied assistance to the people of new countries.

It is true that when all American cooperatives, marketing, farm supply, consumers, housing, credit and the many other kinds, only do about 3% of the nation's business, we can hardly claim to be as strong as we should be to devote time, money and energy to exporting the cooperative idea. We have indeed a man-sized job cut out for us right here at home!

But then, turning over the coin and looking at the other side of it, can we afford not to help people of other countries develop cooperatives, what with Communism doing its level best to undermine democracy all over Latin America, Asia and Africa? Doesn't the future fate of our own cooperatives, our individual liberties, and our very lives depend on helping to stem and push back this competing ideology? And, having experience-proven faith in the cooperative technique of economic democracy, would it not be wrong for us to fail to help apply our remedy and our preventive in all sections of the world?

## **III. What are U.S. Cooperatives Now Doing Overseas?**

The extent of cooperative development activities which have been carried on overseas by cooperatives is not readily apparent to the majority of people in the cooperative movement. For a number of years individuals from various cooperative organizations, from government, from the farm credit banks and our colleges and universities have been taking assignments under governmental auspices to work overseas in the development of cooperatives. Non-governmental efforts have been noteworthy. For example, the Cooperative League and Credit Union National Association have been active in this work. The world's best known cooperative, CARE, was organized largely through the initiative of U.S. cooperatives in 1946 to relieve world-wide hunger and need. CUNA has been active in organizing credit unions, among the most basic of cooperative institutions, which build trust and confidence among neighbors within a community and which bring together the financial resources of people to enable them to raise their own standard of living.

The Cooperative League has developed such institutions as a cooperative training center in South Viet Nam, which in three years has trained several thousand cooperative managers, accountants and organizers there. For seven years it has had a man in India, who through his ingenuity and ability to help people help themselves by establishment of a production credit cooperative and community cooperatives, has helped several communities to increase their agriculture production substantially. This project is becoming a pilot project in India which calls for eight trained co-op leaders for immediate implementation. Other work conducted by cooperatives includes the development of a hybrid seed corn cooperative in India, cooperative training activities in four Latin American countries and in Africa and the assistance in development of the Organization of the Cooperatives of America. Real leadership to Latin American cooperative development has come from the intense interest, dedication and understanding of the Puerto Rican people.

The International Cooperative Petroleum Association is also constructively working in the development of co-op petroleum organizations.

With the Humphrey Amendment to the Foreign Assistance Act of 1961, new resources for cooperative development were made available to cooperatives in the form of financial assistance. The Humphrey amendment declares it to be the policy of the U.S. government in its foreign aid programs to "encourage the development of cooperatives, credit unions and savings and loan associations."



CUNA is providing technical know-how and working in ten countries with plans to operate in six other countries in order to develop 6,000 new credit unions over a five-year period.

The National Farmers Union has co-op leadership programs in six Latin American countries. In Africa the International Federation of Agricultural Producers is developing educational centers.

The Foundation for Cooperative Housing is developing cooperatives in Latin America with teams in five different countries and four more studies are in the development stages to work toward a goal of developing 5,000 housing units a year.

The Cooperative League of the USA is making a socio-economic survey of cooperatives in Latin America which will produce both short and long range programs for co-op development. This study is being made with the use of AID funds, and technical assistance from Latin American leaders.

Since November 1962, under a global contract with AID, NRECA has been effectively working in the development of electric cooperatives in nine countries of Latin America. Under this agreement rural electric systems provide technical assistance, counsel and other support in the development of rural electrification. Using time-tested REA, local co-op and NRECA procedures as guidelines, the NRECA staff and its member system personnel organize, construct and operate initial rural electric cooperatives. Training is an important part of this assistance. A comprehensive training program on organization and operation of rural electric cooperatives is being conducted in the U.S. in cooperation with the Rural Electrification Administration of the U.S.D.A. and the International Cooperative Training Center at the University of Wisconsin. NRECA staff members have also conducted a Regional Survey of Latin America to determine the interest and potential in developing rural electric cooperatives programs.

Other groups are working in the areas of developing savings and loan associations, housing cooperatives and consumer stores. An Inter-American Cooperative Finance Institute similar to our Banks for Cooperatives system has been organized, and it is hoped that secondary capitalization through AID, along with basic capital from cooperatives in the United States and Latin America might soon be forthcoming.

Another effort in cooperative and credit union development is realized through cooperative organizations sponsoring Peace Corps projects for co-op development.

The previously named groups are not working at cross purposes. They coordinate their concerns and efforts through the joint Co-op Advisory Committee to the AID; and have developed a coordinating committee to work out operational programs.

#### **IV. What More Could and Should U.S. Cooperatives Do to Assist Development of Cooperatives in Newly Developing Countries?**

Whatever has been accomplished thus far is only a scratch on the surface of the granite mountain of need.

For every cooperative technician whom U.S. cooperatives have sent abroad, there is need for ten more. For every credit union that has been organized, there is need for a hundred more. For every step that has been taken toward an effective farm credit and marketing system, there are a dozen more such steps needed.

For cooperative credit institutions could lift the burden of unpayable debt from the backs of millions of farmers and other people in many countries of the world. And this is the first step toward their economic freedom.

We are the trustees of a dynamic idea and principle that, wisely applied, can set people free.

Wherever land reform is undertaken a system of credit is needed, also supply and marketing cooperatives, with technical services. Otherwise the farmers receiving land will be no better off than before.

Heading the list of needs in Latin America is the need for good modest homes. Cooperatives have met a small part of this need in certain places - Medellin and Valparaiso and Buenos Aires for example. But with enough skilled cooperative technical "missionaries" and with some long-term loans, thousands of Latin American families could live in homes of their own.

Cooperatives to raise living standards, to reduce living cost, to bring justice and hope to the farmers who are often 85% of the population of developing countries, to lift the age-long burden of debt --- all these are needed, and deeply wanted.

#### **V. What Would It Take?**

To meet the challenge of our times will require stronger cooperatives at home, better managed, better financed, and better understood by the American public.

If our petroleum cooperatives controlled half the crude they refine and if they were coordinated for production and refining operations they would constitute in themselves a major oil company and could multiply their benefits.

If our cooperatives in fertilizer and chemicals had a stronger position in the chemical business, this could begin to reopen the markets for chemical products to a greater extent than has yet been done and in a way in which no other form of business can do. And from such a position of strength they could accomplish far more than is possible today, despite the excellent developments of cooperatives in fertilizer.

We need to develop farmer ownership, and farmer-consumer ownership, of a segment of every step in the processing and distribution of food and fiber products from farm to the consumer's table. We need national marketing of farm products through cooperatives. We need cooperative ownership of the profitable parts of the food and fiber business so that it can be shown that our American cooperatives are beginning to solve the problems of agriculture.

We need to make much more use of our own cooperative insurance companies and of the cooperative financing institutions which now exist. And we need to create more of them to the end that cooperative balances and cooperative investments can help finance cooperative expansion.

We need a coordinated public information program to tell the American people the truth about the enterprises which represent efforts of the people to meet their own needs and problems and build their own communities by their own efforts.

And we need to train twenty times the number of people we are training now - both people from other lands and people in our own country - to work in the cooperative field.

Most United States cooperatives operating over a broad area list management as the number one problem.



Patronage, finances, even member understanding improves with good management. Many cooperatives become less efficient at the stage of growth when the manager is in transition from a "working" manager to one who gets things done through others. In other words, he needs training in delegating, staffing, measuring performance, teamwork.

National organizations of cooperatives, regional cooperatives, consulting firms, universities, the International Cooperative Training Center, Farmer Cooperative Service U.S.D.A., and cooperative colleges in other countries are working at the problem and can do more with our coordinated support. But even that isn't enough to change this weakness to strength and provide also for management leadership for developing cooperatives abroad. For example, the county agent and vocational agriculture instructor generally are not well equipped to give effective help. The Extension Service is charged with the responsibility of disseminating information about cooperatives. But little is done at the county level and few states have a co-op specialist at the state level. The extension farm management service provides a fine program on the farm. This financial farm management program should be enlarged and extended to investments off the farm as well. Administration of state and county funds should be more flexible in allocating such funds for these purposes, particularly for on-the-job training for those deficient in knowledge in these areas.

More should be done to see that textbooks for appropriate subjects at all levels of our school systems contain material about cooperatives which is adequate, factual, and presented in the human terms which catch the attention and interest of young minds.

The International Cooperative Training Center established through financial assistance from AID is providing a number of services in cooperative education. While this effort is directed mainly toward training people from developing countries in ways which will help them carry on cooperative leadership work in their home countries, it also is concerned with training Americans going to these countries. An example is the training of 50 Peace Corps workers on the Milwaukee campus of the University of Wisconsin.

Those who have attended or are attending the Center are almost all strongly motivated, able persons concerned for their countries' welfare. It is helpful for them to learn of situations and ways in which this welfare can be improved. Some of this comes from a learning situation in which various possibilities are explained and in which experience is gained in American cooperatives. It comes also from the interchange of problems and ideas among the trainees.

The International Cooperative Training Center is more than a few people in a building at Madison, Wisconsin. It is an active part of the University of Wisconsin, internationally recognized for its leadership in areas of social concern. This is part of the "Wisconsin Tradition."

The cooperatives also have an interest in the Center and can express it through granting Center scholarships for travel and living costs, through the help of a program coordinator working with the Center and in publicity about the center, encouraging people to attend, supplying literature, and providing in-service training for students. There is need for scholarship funds in substantial amounts, for financial support of the Center by American cooperative organizations and for its great-

ly expanded use by cooperatives here at home in developing the kind of trained, informed personnel which our cooperatives need if they are to fulfill their potential.

## Recommendations

1. The present effort to organize the Cooperative Development Association with participation by major cooperative organizations in this country must succeed. Such an agency, staffed by competent cooperative business executives, could carry out the economic enterprises most needed in the newly developing countries in a way that the educational, training and promotional organizations and federations cannot do. The C.D.A. under contract with AID could manage these new cooperative enterprises abroad in their early stages and train local people to take over that management. Coupled with agencies like the Inter-American Cooperative Finance Institution, with the work of specialized cooperative organizations like NRECA and CUNA, and with the educational, training and organizational work which the national associations of cooperatives can provide, the CDA would round out the institutions we need to do the job which now challenges us.

2. Cooperatives can strengthen their position in the United States by contributing to the development of cooperatives in the foreign countries. Indeed this may be the best means of generating new interest and a deeper loyalty in the membership of cooperatives here at home.

3. U.S. cooperatives should participate more actively in providing scholarships for their own and foreign personnel to attend courses at the International Cooperative Training Center.

4. We request that continued financial support and increased contributions to scholarships be granted by the Agency for International Development to the International Cooperative Training Center.

5. A method of funneling capital into an overseas program should be considered by all types of cooperatives.

6. Realizing the significant contributions made in the formation of cooperatives in the U.S., we request and recommend that in its training programs for extension workers in developing countries, significant attention be given by the responsible U.S. government officials to training in cooperative development and organization work.

But we shall not be able to accomplish any of these things unless there is unity of purpose, identification of common interest, and coordinated action among all the cooperatives of the United States. This means in some cases outright merger. It means in other cases jointly owned enterprises. It means in still other cases jointly financed information and training programs. It means seeing clearly that what harms one kind of cooperative harms all and what strengthens one kind strengthens all the rest.

It means, finally, continuation of the work and the spirit generated at this meeting. It means more meetings like this one and like the Cooperative Conference of 100 until cooperation among the cooperatives of the United States becomes a fact.



## *Cooperatives and Government — Competitors or Partners?*

1. Cooperatives reflect a notable capacity for neighborliness on the part of free and civilized man for giving legitimate and constructive expression to mutual self-interest in the best tradition of free enterprise.

In the United States, farmer cooperatives have a proud record of rural development for community betterment and progress, all deeply rooted in our pioneer history.

To advance himself, his family, his neighbors, and his community interest, the frontiersman gave - and received - help. Thus, houses were built, barns raised, roads established, threshing bees held. These were practical exercises of the principle of service at cost which is basic to the cooperative method.

Out of these experiences grew the mutuals - - insurance companies and numerous marketing, service, and supply associations - - to serve the people at cost and to meet economic needs together.

Today, modernized farmer-owned and farmer-controlled business enterprises are annually reaching higher levels in volume of business and usefulness to farmers and the public.

It is our view that in the dynamic, rapidly changing environment of American agriculture, cooperative institutions are entering a new era of greater growth and usefulness.

Now mature, experienced, and more strongly led, they are ready for a greater realization of their potential for achievement of income improvement by their members in proportion to use made of them.

This conviction is based on a careful appraisal of need and counsels a frank and realistic examination of cooperatives, the future, and the role of Government.

2. Present and prospective farm prices and income in the foreseeable future justify an intensification of efforts to enlarge the market power of farmers. The market power of one farmer alone among millions is small. Despite a sharp reduction in the number of farms and of farmers, the farm segment of the American economy lags behind other major groups in obtaining its fair share of the national income. Farm production costs continue to advance as fast or faster than increases in gross returns. Thus, net overall farm income is near-stagnant, failing to advance to the degree necessary for the farm sector to keep pace with other groups.

This denies the average farmer the standard of living that his labor and investment justify. The material reward for his capital, labor, and know-how is inadequate in terms of a fair share or in terms of his ability to consume the goods produced by other elements of the economy.

3. The abundance of food and fiber that farmers produce for industry and the consumers of the nation is sold by them at prices well below a level that is fair and reasonable. Their power to control these prices is negligible and ineffective.

As one result, American citizens spend a smaller share of their disposable income for food than do the citizens of any other nation in the world. Less than 19 percent of the American consumer income is spent for food, now available in greater and more nutritious variety, top quality, and abundant quantity.

In addition, the United States supplies large quantities of food and fiber for export at fair prices and, in the case of many nations, supplies these products on terms and conditions that reflect a generous national attitude towards those in need at home and overseas.

4. In facing the persistent, often perplexing, and routinely controversial area of farm policies that bear on marketing power, on producer prices and income, several points are clear:

A. The American farmer, more than any other major group of citizens, has developed, financed, and supported mutual self-help programs over the years.

He desires and will support an expansion of this record of service that justifies encouragement; public interest also justifies full encouragement of farmers in this respect.

Through his marketing cooperatives, the farmer can wield more power in the marketplace, expand his outlets, and insure fair treatment in terms of price, quality, and continuity of supply to consumers. Through such associations, which obtain and distribute at actual cost the supplies and services required by his business and his family, the farmer exercises his right to reduce his expenses to the minimum.

B. The Government, through laws passed by Congress and through actions taken by the Executive Branch (especially the Departments of Agriculture and Justice and by various independent agencies and commissions), has the power to help, to ignore, to injure, and even to destroy self-help programs of farmers or any other group. Thus, the role of Government in the conduct of cooperatives is a matter of the greatest importance.

C. It is, therefore, incumbent on us to examine objectively the area of relationships between cooperatives and the Government, and provide for the continuity of such review.

There is need to pinpoint policies and programs - those that promise help for farmers and their cooperatives, and others which may produce an unfavorable climate, sometimes immediately evident but more often only a cloud on the horizon.

Here we are responding to the invitations of the President and the Secretary of Agriculture to provide counsel and advice to improve the climate in which cooperatives function now and in the future.

D. Our President has manifested on many occasions his understanding and support of farm cooperatives. His position was clearly expressed in his statement of September 1960, when he was a member of the United States Senate and the candidate of his party in the presidential election campaign.

**The first six paragraphs of his statement are quoted here:**

"Farmers' marketing, purchasing and service cooperatives are an essential part of our American system of private enterprises, and as such must be given an opportunity to function effectively.

"These are the farmers' own enterprises, established by them to give greater bargaining power in the market



place when they sell their products, and to reduce the cost of their production supplies, and to provide necessary services.

"Farmers suffer an almost unique disadvantage in our modern economy. Millions of individual farmers compete against each other when they sell their products. But the markets in which the farmer sells his products are dominated to an ever-increasing degree by a shrinking number of buyers. The market power of these fewer and larger firms grows steadily as each comes to command a growing share of the total market.

"A most important first step to take in restoring farmers' income is to create a climate in which farmers can combine their resources, as is done within other groups in our economy, and thus increase their bargaining power in buying and selling.

"The Federal Government has both an opportunity and an obligation to assist by providing a favorable economic and legal climate for farmers to help themselves in this way. This will be one of the first steps which a new Democratic Administration will undertake in its efforts to raise farm income. We can - and we will - help to create this climate in which farmers can work together to strengthen their bargaining power.

"I believe in the spirit as well as the letter of the Democratic party's platform pledge to protect and encourage the efforts of farmers to work together effectively through their own cooperative enterprises. I stand behind that pledge, and a Democratic Administration will carry it out."

E. In the past three decades seldom a year has passed without the enactment of legislation creating or amending farm programs operated by the Government, supplementing what farmers do for themselves directly or through cooperatives they own and control. We will not seek here to pass judgment on these, except to say that clearly Congress has sought to be helpful.

Time and again, situations described as "emergencies" have been long debated. The problem of resolving differences has been difficult.

We are convinced that during this time cooperatives have been a neglected force in agricultural policy. They have not received the patient study and consideration they merit. There has been too often overlooked: their promise for enlargement of the use of principles of self-help; their use as a means of decentralizing authority and responsibility; their use in improving the economic position of farmers through cooperative endeavor by the farmers themselves. Bona fide cooperatives formed by producers should be recognized and treated in the same way as individual producers.

Our Secretary of Agriculture in encouraging the calling of this Conference has shown an awareness of the unrealized potentiality of farm cooperatives in the area of farm policy and programs, and we commend him for this sensitivity and his open-mindedness.

F. The problems of agriculture vary commodity by commodity, with a large degree of interdependence between them - as in the case of feed grains and livestock. Thus the measures taken to deal with these problems, when that becomes necessary, require far more than a single approach.

Farmers, their cooperatives, and the representatives of Government start with agreement in principle that controls applicable to American agriculture should be avoided wherever possible. This is because the system of farming in this country is remarkably productive, is continually improving in the use of technology.

The genius of this system centers on the independence of farmers in making decisions, in their capacity to manage sensitively and intelligently their resources of land, labor, and working capital to the best advantage.

This capacity to produce does not in and of itself insure a fair net return. Greatly improved market power is required, and to the greatest extent possible control of this should rest with the farmers and the associations they create to serve them.

G. The Department of Agriculture, and Congress, through appropriate committees, should re-explore fully the opportunity for expanding the role of cooperatives in increasing the market power of farmers.

It should encourage the development of strong cooperative associations of farmers, and, to the greatest extent, markets should be free from Government domination. Where the Government liquidates inventory acquired under price stabilization programs, renewed effort should be made to introduce the commodities into the marketing system at the first opportunity. The use of compensatory payments to make up for defined deficiencies in net income should be earnestly reappraised.

H. The Secretary of Agriculture should establish standards relating to the qualification of a bona fide farm cooperative as a condition preliminary to doing business with it to insure that it is owned and controlled by producers or their designated representatives.

I. The Secretary should implement the authority vested in him in Section 2 of the Capper-Volstead Act, or seek its clarification by Congress. In the absence of action to this effect, the Department of Justice and the Federal Trade Commission have drifted into the role of supervising farm cooperatives. Such supervision as is necessary should be vested in the Secretary of Agriculture and associated with his broader responsibilities for seeking a fair net return to producers.

He should have exclusive jurisdiction to determine if and when a cooperative unduly enhances prices; to approve acquisitions and mergers; to represent overall the public interest which must properly include the interest of producers.

J. Commodity price stabilization programs should be reexamined with a view of minimizing the role of Government as a supplier of commodities. No farmer or association of farmers possesses the resources to compete with the Government.

K. The manner in which the Government acquires, holds, and disposes of its commodity inventories can bankrupt or greatly harm cooperatives. Cooperative associations are not established to speculate with the farmers' money. An increasing speculative factor in many current markets turns on what the Government will do next. This situation can be modified.

L. So long as the Government cannot avoid the direct ownership of commodities, it should seek to adopt operational methods and practices that will least interfere with efficient marketing.

M. This difficult area deserves the most dedicated search for a solution that will reduce the role of the Government in the marketplace. In the search for a solution, representatives of cooperatives pledge to contribute to a full reexamination.

N. This undertaking is worthy of assignment to a commission of able and dedicated citizens, selected by the President without regard to party affiliation.





## THE WHITE HOUSE

### Remarks of the President Before Representatives of National Conference on Cooperatives and the Future in the New Flower Garden April 30, 1963

I want to welcome all of you. The Secretary of Agriculture told me something about this meeting and his high hopes for it.

I think it is particularly appropriate for representatives of six organizations which are here today to be concerned with the better life of the people who live on our farms who make it possible for this country to progress as it has and the people who live in the whole rural areas of the United States and those of you who are concerned with the well-being in Washington. It is of a great concern to us. It is a great country with great resources. I don't think anyone is satisfied, whether on the farm or rural generally, in our great cities, and there are substantial millions of Americans who are denied the opportunity to participate in this life. There is no trend in this country that is more important than the better development of a life for our people.

I am very hopeful as a result of this meeting in Washington that you will develop programs for the Sixties which will help improve the lives of our people and see also if we can transfer the experience we have had to other countries, particularly the newly emerging ones.

There are 40 Peace Corps people who are training in the cooperative technique -- in Colombia and three of your cooperatives have communities in Panama which have benefited from the cooperative experience.

I think what we have done here can be done all abroad. I am particularly happy to welcome you.

Thirty years ago only one out of ten of our farmers had electricity -- what we can do in this country can be done in other countries. So I can imagine no other group of citizens who are more welcome here.

You are used to being rained on, but whether it is summer, winter, cold or hot, we are happy to have you here, and there is no group that has a greater claim for the contributions they have made to come to this house which belongs to all of us.





*On final day those attending the Conference call at the White House for meeting with President Kennedy.*







